

**WORLD TRADE
ORGANIZATION**

RESTRICTED

WT/TPR/G/196

21 January 2008

(08-0237)

Trade Policy Review Body

Original: English

TRADE POLICY REVIEW

Report by

BRUNEI DARUSSALAM

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Brunei Darussalam is attached.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on Brunei Darussalam.

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I. GENERAL POLICY STATEMENT

1. Since the last trade policy review in 2001, Brunei Darussalam maintains its strong support for an open, rules-based and non-discriminatory multilateral trading system as prescribed by the WTO, and continues to support the process of the Doha Development Agenda.
2. Brunei Darussalam continues to pursue free trade policies aimed at fostering economic growth, with the responsibility for allocating resources and determining economic decisions left to market forces.
3. Participation in regional economic forums remains based on the concept of "open regionalism", in which regional economic cooperation is seen as a building block towards multilateral trade liberalization.

II. INSTITUTIONAL FRAMEWORK

4. The Constitution of Brunei Darussalam was revised in 2004 and 2006 which led to the re-establishment of the Legislative Council on 15 July 2004. On 6 September 2004, 21 Legislative Council members were appointed, eleven of whom were state officials, including selected Government Ministers, while 10 were nominated members. Some Council members had also served in the previous Legislative Council in the 1960's. The Legislative Council had its first official meeting on 25 September 2004.
5. On 2 September 2005, new Legislative Council members were appointed and there are now 29 members in total, representing Government Ministers, local dignitaries and district representatives.
6. On 1 August 2005 the Ministry of Foreign Affairs (MFA) was re-named the Ministry of Foreign Affairs and Trade (MoFAT). This came with the incorporation of the International Relations and Trade Development (IRTD) Division from the Ministry of Industry and Primary Resources to the Ministry of Foreign Affairs. Upon the transfer, the IRTD division and the Department of Multilateral Economics of MFA were merged and divided into the three trade departments under the Ministry. International trade relations have always been of importance to Brunei and this change is aimed at strengthening and facilitating national coordination. This underscores the importance the Government continues to place on sustainable economic diversification, Brunei Darussalam's recognition of the increasing significance of and focus on trade in the global arena, and the link between political and economic security. The move is hoped to enable Brunei Darussalam to comprehensively establish and conduct foreign policies on trade, trade negotiation and foreign economic affairs.

III. INTERNATIONAL TRADE RELATIONS

(i) International organisations

7. Brunei Darussalam is also a member of the Asia Europe Meeting (ASEM) and the Asia Pacific Economic Communities (APEC) organisations which, among others, hold informal consultations on WTO matters, thus complementing and reinforcing efforts to strengthen the multilateral trading system. In the last APEC Summit in Australia, APEC leaders came out with a 'Statement on WTO Negotiations', in which, leaders underlined the crucial importance of the WTO rules-based, global trading system and determination to bring the Doha Round to an early and successful conclusion. APEC has pledged political will, flexibility and ambition in ensuring a successful Doha round negotiations, and to resume negotiations on the basis of the draft text tabled by the Chairs of the negotiating groups on agriculture and non agricultural market access.

(ii) Regional efforts

8. Regionally, Brunei Darussalam enjoys strong and friendly relations with the other ASEAN (Association of South East Asian Nations) member countries through political and security as well as socio-cultural cooperation. Trade relations have also been strengthened with the advent of the ASEAN Free Trade Area (AFTA), the ASEAN Framework Agreement on Services (AFAS) and the ASEAN Investment Area (AIA). With a population of 383,000 people, the smallest among the ASEAN member countries, the Government sees the great economic potentials and benefits in working closely with the larger population of over 500 million people in ASEAN, and therefore views ASEAN as an important cornerstone of our foreign and trade policy.

9. Brunei Darussalam continues to support ASEAN's efforts particularly to establish the ASEAN Community by 2015, which aims to transform ASEAN into a stable, prosperous and highly competitive region through 3 pillars; the ASEAN Security Community, the Socio-Cultural Community and the ASEAN Economic Community. The establishment of the ASEAN Economic Community (AEC) is to be facilitated by the AEC Blueprint, which essentially provides a clear focus of work for economic integration, by setting out defined measures, timelines and implementation targets for the realization of the AEC by 2015. ASEAN Leaders signed the Declaration on the AEC Blueprint at the 13th ASEAN Summit held in Singapore on 20 November 2007, which thus gives the political impetus for all ASEAN member countries to abide by their commitments.

10. Under the umbrella of ASEAN, Brunei Darussalam is also involved in FTA negotiations with China, Japan, the Republic of Korea, India and Australia & New Zealand. ASEAN will also begin negotiations for an FTA with the EU in the near future.

11. Brunei is also a member of the Brunei Indonesia Malaysia Philippines – East Asian Growth Area (BIMP-EAGA), which seeks to progress economic growth and development in the ASEAN sub-region. BIMP-EAGA was formed in 1994, and aims to increase economic cooperation, trade, investment and tourism among participating economies in the sub-region.¹ BIMP-EAGA currently has four priority areas of cooperation: transport, infrastructure and ICT development; natural resource development; joint tourism development and SME development. The designated lead country in the transport area is Brunei, which oversees a number of working groups dealing with air linkages; sea linkages; construction and construction materials and ICT. BIMP-EAGA is also pioneering environmental initiatives to address global concerns on climate change with the Heart of Borneo and Coral Triangle initiatives. The trilateral of BIMP-EAGA countries involved with the Heart of Borneo initiative have made arrangements to ensure that the designated areas are protected.

(iii) Free Trade Agreements

12. Bilaterally, Brunei Darussalam has also been involved in several Free Trade Agreements, which it believes will complement its aim for a multilateral trading regime. Brunei Darussalam is a party to the Brunei-Japan Economic Partnership Agreement (BJEPA) and the Trans-Pacific Strategic Economic Partnership Agreement (P4).

13. The Brunei-Japan Economic Partnership Agreement is Brunei Darussalam's first bilateral free trade agreement. The Agreement was signed by the leaders of both Brunei Darussalam and Japan on 18 June 2007, and is expected to enter into force in 2008. The Agreement is hoped to enhance Brunei Darussalam's investment climate and encourage foreign direct investments (FDI) through greater

¹ Consists of Brunei Darussalam, the Indonesian provinces of Kalimantan, Sulawesi, Maluku and Irian Jaya; Sabah, Sarawak and the Federal territory Labuan in Malaysia; and Mindanao and Palawan in the Philippines. EAGA covers a land area of 1.54 million sq. km and is home to 57 million people.

predictability and transparency. Market access between Brunei Darussalam and Japan will also be improved in terms of goods (through the reduction of import duties) and services.

14. Brunei signed the Trans-Pacific Strategic Economic Partnership Agreement on 2 August 2005 and deposited its Instrument of Provisional Application to New Zealand as the depository of the Agreement on 12 June 2006. The Agreement came into force for Brunei Darussalam on 12 July 2006, and will bring about strategic benefits for all four partners, Brunei Darussalam, Chile, New Zealand and Singapore, and in effect build a bridge between Latin America, the Pacific and Asia. It will encourage Brunei, Chile, Singapore and New Zealand to pool their expertise, ideas, technology and resources to improve their competitiveness on the global market. The Agreement will also help advance shared objectives in APEC and the WTO.

15. The Trans-Pacific Strategic Economic Partnership Agreement also has side agreements, namely the Environment Cooperation Agreement and Labour Cooperation Memorandum of Understanding, to reflect a shared desire to encourage and promote sound labour and environment practices. These agreements establish mechanisms for ongoing cooperation and dialogue on labour and environment issues. Brunei Darussalam is also preparing its non-conforming measures list for the Services Chapter as well as the list for entities under the Government Procurement chapter to be submitted to the Parties. Negotiations on investment and financial services will resume within two years after the entry into force of the Agreement.

IV. ECONOMIC ENVIRONMENT

16. Hydrocarbon exports and the steady accumulation of long-term foreign assets continue to provide Brunei Darussalam with a comfortable external position, and have helped Brunei to maintain its liberal trade and exchange system. The Government continues to place great importance on economic diversification and encourages foreign investment into the country. In recent years, both trade and current account balances have further improved, as value of exports earning strengthens with the increase in oil prices and production while value of imports remains lower than exports.

17. In 2006, Brunei Darussalam's economy improved, as it grew by 5.1% compared to 2.7% in 2001. GDP growth was largely due to positive developments in the hydrocarbon, financial and private services sectors. The growth rate for the next five years is expected to be within the range of 2 to 4%.

18. The Department of Economic Planning and Development (DEPD) is embarking on a new development plan that will further stimulate and accelerate the pace of economic growth and ensure the realisation of a more diversified and sustainable economic development in the long term.

V. TRADE POLICY FRAMEWORK

(1) TARIFFS

19. Brunei Darussalam's tariff structure remains liberal and transparent consisting of 10,702 tariff lines – of which 68% of tariff lines are duty free, 30.68 % are *ad valorem* rates (5-30 %) and 1.2% are specific tariffs (131 lines). Tariffs have been eliminated or progressively reduced over the years, and in 2004, the average MFN tariff was 4.8%. In 2004, the categorisation of the tariff lines with *ad valorem* rates is as follows:

<i>Ad Valorem Rates (%)</i>	<i>Number of Tariff lines</i>
0	7,285
5	876
10	124
15	99
20	2,181
30	6
Total	10,571

20. Non-tariff measures are few and maintained only to discharge Brunei's obligations under international commitments, or for public health and safety, environmental, religious, or national security considerations.

21. The Department of Information Technology and State Stores continues to administer the importation and stockpiling of sugar and certain types of rice, to ensure security of supplies and price stability.

(2) SERVICES

22. The services sector is an area of focus in efforts to diversify the economy and the policy of each Services sector remains under the purview of the relevant Ministry/agency.

23. Brunei Darussalam continues to liberalise its services sectors progressively, in accordance with its domestic capabilities and priorities, and commitments under the WTO and bilateral/regional arrangements. As such technical cooperation is welcome. To date, Brunei Darussalam has made liberalisation commitments in the following sectors:

- (i) Business (Professional services);
- (ii) Business (Computer and related services);
- (iii) Business (Rental/Leasing services without operators);
- (iv) Communication (Telecommunication services);
- (v) Financial (Insurance and Insurance related services);
- (vi) Other Financial Services;
- (vii) Transport (Air Transport Services); and
- (viii) Tourism

(3) INVESTMENT

24. Brunei Darussalam does not maintain any WTO inconsistent trade-related investment measures. A local equity requirement of not less than 30% applies to joint ventures in agriculture, fisheries and food processing, only if government facilities such as government-developed industrial sites are applied for.

25. The Government also continues to actively pursue Bilateral Investment Treaties and Double Taxation Agreements with interested countries. Brunei Darussalam has concluded and signed Bilateral Investment Treaties with ASEAN, Oman, Germany, Ukraine, the People's Republic of China and the Republic of Korea. Brunei Darussalam also has Double Taxation Agreements with Indonesia, Singapore, the United Kingdom, Vietnam, the People's Republic of China and the Lao People's Democratic Republic. The Brunei-Japan Economic Partnership Agreement (BJEPA) also contains a separate chapter on Investment, the first of Brunei's Free Trade Agreements to do so.

26. Since the last review, the Government enacted the Investment Incentives Order 2001 in June 2001 to replace the former Investment Incentives Act (CAP. 97) in order to encourage the establishment and development in Brunei Darussalam of industrial and other economic enterprises for economic expansion and for incidental and related purposes. The authority to administer this legislation is currently vested in the Minister of Industry and Primary Resources. The new law provides guidelines for granting pioneer status to industries and tax relief for foreign and local investment, as well as the possibility of extending tax relief periods.²

27. The Brunei Economic Development Board (BEDB) Act was revised in 2003 and is now called the Brunei Economic Development Board Act (Chapter 104).³ The Act strengthens the BEDB's powers for the promotion of foreign direct investment, development of joint ventures in strategic sectors and the provision of efficient services to investors. The Act was further amended with the Brunei Economic Development Board Act (Amendment) Order 2003, which includes a new provision on auditing and BEDB is now a corporate body with perpetual succession and a common seal of power, subject to the provisions of the Brunei Economic Development Board Act, to acquire and dispose of property, both moveable and immovable, may sue and be sued in its corporate name and perform such other acts as corporate bodies may by law perform.

28. The BEDB's main role is to create new economic opportunities for the local people and SMEs in terms of employment and business respectively; while it functions as a first-stop agency to attract, retain and add value to both local and foreign investments and coordinating with relevant ministries and agencies to maximize the benefits generated by both local and foreign direct investment through the strengthening of policy, legal and institutional framework and human resources development for investment and improving investment promotion capabilities.

(4) INTELLECTUAL PROPERTY RIGHTS

29. The Registries Division of the Attorney General's Chambers is responsible for all matters concerning intellectual property (IP) including drafting of relevant intellectual property legislation, registration and administration of intellectual property rights under the respective intellectual property legislations as well as promoting awareness and disseminating information on intellectual property in the country.

30. Currently, the Registries Division administers the following intellectual property rights legislation:

- (i) Trade Marks Act (Cap 98)
- (ii) Trade Marks Rules, 2000
- (iii) Inventions Act (Cap 72)
- (iv) Copyright Order, 1999
- (v) Industrial Designs Order, 1999
- (vi) Industrial Designs Rules, 2000
- (vii) Layout Designs Order, 1999

² The investment incentives include corporate tax relief of up to 5 years for companies that would invest between B\$500,000 to B\$2.5 million in approved ventures; 8-year tax relief for investing more than B\$2.5 million and an 11-year tax break if the venture is located in a high-tech industrial park. Other incentives include deduction of losses, adjustment of capital allowances and losses, exemption from import duties on machinery, equipment, component parts, accessories, building structures and raw material, as well as waiver of 20% withholding tax on foreign loans for productive equipment.

³ 2003 edition.

31. Enforcement of intellectual property rights (IPR) is based on complaints lodged by the registered owner. Both civil remedies and criminal sanctions are available in infringement cases. The Commercial Crime Unit of the Royal Brunei Police Force is responsible for criminal enforcement activities while border enforcement measures are carried out by the Royal Customs and Excise Department. Prosecution of offences is initiated by the Criminal Justice Division of the Attorney General's Chambers.

32. There are no provisions on parallel importation in the IP laws currently in force. While the Inventions Act (Cap 72) does not prohibit parallel importation, the Emergency (Patents) Order does not give the patent holder an opportunity to interfere with a parallel trader. Section 66(2)(g) indicates that the proprietor of the patent has no right to prevent acts with regard to products that have been put on the market by him (or with his consent), including products that were put on the market outside Brunei Darussalam under his equivalent patents. Parallel importation is thus allowed under the new Patents Order which is yet to be fully implemented.

33. Unfortunately, the lack of technical support from the right-holders is one of the failures of IP enforcement in Brunei Darussalam. Some refuse to rely on the border enforcement provisions under the relevant IP legislations. Most of the time second-hand evidence has to be relied on and more often than not most cases do not go to court as the right owners enter into agreements with alleged offenders.

(5) STANDARDS

34. The Construction Planning and Research Unit (CPRU) at the Ministry of Development is the focal point for standards and conformity assessment activities. They are the focal point in Brunei Darussalam for international and regional standards organisation and fora (e.g. ISO, IEC, Pacific Area Standards Congress (PASC), Asia Pacific Laboratory Accreditation Cooperation (APLAC). CPRU manages the National Technical Committees (TECO) in the various sectors for standards development, including the adoption of international standards as national standards. CPRU also manages the accreditation programme for testing and calibration laboratories to ISO 17025:2005 and promotes the recognition of certification and accreditation from ILAC/APLAC, IAF/PAC signatories and have signed an MOU with the Singapore Accreditation Council (SAC-SINGLAS) on 9 April 2001 to cover accreditation activities not provided under the CPRU scope of accreditation.

35. The National Standards and Accreditation Centre (NSAC) was formed in 2006 as a division under the Ministry of Industry and Primary Resources. It has the task of assisting companies producing local products to comply with international standards in order to be able to penetrate the export market. The services currently provided by NSAC include assistance in obtaining international certification (e.g. HACCP, GMP); standard and quality product training; quality and promotion development; and consultation services. The establishment of a Calibration Laboratory, which will be traceable to the International System of Units as maintained by the Bureau International des Poids et Mesures (International Bureau of Weights and Measures) is currently in progress and NSAC is also proposing to establish a National Metrology Laboratory under the 9th National Development Plan⁴. NSAC is working together with various other ministries in moving towards centralising standards in Brunei Darussalam

⁴ Brunei makes use of measurement systems used in other countries; measurement and metrology facilities in Singapore (PSB) and Malaysia (SIRIM) are used frequently by Brunei's laboratories in their calibration activities. Currently, several test laboratories rely on overseas calibration services or utilises limited services provided by Ministry of Defence laboratory, which is UKAS Accredited for calibration traceable to the international system. Furthermore, laboratory accreditation for the construction sector is covered by the Ministry of Development Laboratory Accreditation Scheme under the Brunei-Singapore SAC MOU on accreditation.

36. National standards are currently available in the construction and halal food⁵ sector. It is the policy of Technical Committees for the development of standards to adopt international standards where relevant and there is an ongoing exercise to review the alignment of national standards with existing relevant international standards in line with ISO/IEC Guide 21:1999. Brunei Darussalam is also a member of the following organisations responsible for the international standards for various sectors: International Organisation for Standards (ISO), International Electrotechnical Commission (IEC), International Telecommunication Union (ITU) and Codex Alimentarius (food standards).

(6) GOVERNMENT LINKED COMPANIES

37. In order to enhance the Government's economic diversification policy, Semaun Holdings was established as a domestic investment and trading arm of the Government. It is a private limited company incorporated in 1995 under the Companies Act. It is wholly owned by the Government and has been placed under the jurisdiction of the Ministry of Industry and Primary Resources. Its mission is to spearhead industrial and commercial development through direct investment in key industrial sectors in the interest of Brunei Darussalam. Semaun Holdings invests in companies conducting business in areas of importance to Brunei's long term strategy, and particularly where the local private sector is constrained by lack of access to technology and resources.

38. Semaun Holdings has a policy to divest of a company once the company is profitable and the Government has recovered its initial investment. Since commencing operations, Semaun Holdings has steadily been building up its portfolio of joint ventures and linked companies. However to date it has not divested any companies due to the failure of these companies to meet the criteria for divestment. Semaun Holdings is currently involved in ventures in the fisheries (food processing, aquaculture), forestry (timber and joinery products) and manufacturing (therapeutic goods, crystal products) sectors.

VI. SECTORAL POLICIES AND DEVELOPMENT

(1) OIL AND GAS

39. On 24 May 2005, the Government created the post of and appointed the Minister of Energy at the Prime Minister's Office. The Minister of Energy presides over energy matters of the country, including those of petroleum and electricity. Upon the creation of the post, the Energy Division at the Prime Minister's Office was also formed. The Petroleum Unit and the Department of Electrical Services was brought under the purview of the Minister of Energy in the same year.

40. The Energy Division advises the Minister of Energy on pertinent matters concerning energy and its administration. The energy matters handled by the Energy Division range from petroleum and electricity to energy policy and sustainable energy issues. The Petroleum Unit oversees exploitation of Brunei's reserves, promotes the development of downstream activities, fixes crude oil prices and ensures that internationally acceptable standards on technical, accounting, health and safety and environmental grounds are adhered to. The main producer of oil and gas in the country is Brunei Shell Petroleum Company Sdn Bhd while Total E&P Borneo B.V maintains a presence in the country as the operator in the Block B joint venture.

41. The Brunei National Petroleum Company or PetroleumBRUNEI, was legislated by enactment by the Brunei National Petroleum Company (BNPC) Order 2002. PetroleumBRUNEI was then duly registered on 14 January 2002 under the Companies Act as a 'Private Limited Company', wholly-owned by the Government of Brunei Darussalam through the Prime Minister Corporation. The Chairman of the Board of Directors is the Minister of Energy.

⁵ With the launch of the PBD24:2007, Brunei Darussalam's Halal Food standards in 2007.

(2) DOWNSTREAM INDUSTRIES

42. A 271 hectare land has been recognised as an appropriate site to establish SPARK, a world class Industrial Park. The projects are expected to attract investments worth US\$1.5 billion worth of foreign investments and create approximately 1,000 permanent jobs. The Brunei Economic Development Board has recently completed designated areas and handed them over to the Brunei Methanol Company Sdn. Bhd. (BMC), which will commence the construction of a Methanol Plant in the beginning of 2008. Pending decisions for other projects include an ammonia/urea plant. Some space for spin-off companies benefiting from the anchor projects have been allocated within SPARK. The creation of clusters of industries over a certain area for downstream projects is a part of the development of SPARK, under the management of SLA (Sungai Liang Authority - a government corporate body). The development of this site would require infrastructure investments for a power station, an export jetty and a water treatment park.

(3) SMALL AND MEDIUM ENTERPRISES

43. Small and Medium Enterprises (SMEs) make up 99% of the business sector in Brunei Darussalam. The creation of a business environment that is supportive of the development of SMEs is therefore a priority area for the Government.

44. The Ministry of Industry and Primary Resources has been playing a greater role as the main government focal agency for SME development. Since the inception of the Resource and Standards Centre or currently known as Entrepreneurial Development Centre (EDC) in 1997, several capacity building programs for SMEs are developed and organized throughout the calendar year. These include human capacity building on entrepreneurship and technical skills upgrading, business management, marketing, and info-communication technology. In the last five years (2001-2006), EDC has managed to organize a cumulative total of 22 seminars and 138 short courses with 5,676 entrepreneurs as beneficiaries.

45. The Business Incubator program is another human capacity building initiative run by EDC that was aimed at serving new entrepreneurs with a specialized, well-guided business operation and management practice for a period up to 2-5 years (maximum) until graduation. Currently, there are about 20 participants engaging in the field of agro-based production sector and cottage industry as well as other business support services.

46. The financial supports program which is one of the major contributing factors of SMEs development has also been undertaken and managed by MIPR. This comes in the form of Government guaranteed loans known as Enterprise Facilitation Scheme (EFS) and Micro-credit Financing Scheme (MFS) which each provides a maximum loan of B\$1.5 million and B\$30,000 per enterprise, respectively. Both schemes are funded by the Brunei government through the so-called 'Industrial Development Fund (IDF)' with its operation managed jointly by two local banks. These two schemes provide a favourable rate at 4% that is based on an annual reducing balance. The EFS which focuses specifically on the development of primary sectors like agriculture, fisheries, manufacturing and tourism industry is repayable over a flexible period of up to 7 years. Whereas MFS that covers most micro-enterprise activities is repayable of up to a maximum period of 4 years. These statistics are current as of 31 July 2007 shows that the number of approved application for EFS has increased to a cumulative total of 80 enterprises with a loan value at approximately B\$25.82 million. MFS has recorded an amount of B\$7.37 million that was loaned to 387 micro-enterprises.

(4) AGRICULTURE, FORESTRY AND FISHERIES

47. Agriculture in Brunei Darussalam is supported by the Government in the form of incentives for infrastructure development, in an effort to boost its currently small share of the GDP. The role of the Agriculture Department is to promote sustainable and competitive Agribusiness, focusing on high quality and safety while ensuring food security for the people of Brunei Darussalam. Brunei Darussalam aims to tap into the regional and global market for Halal products and services. The Ministry of Industry and Primary Resources is actively promoting the development of Brunei Darussalam as a regional Halal centre for the production and export of Halal products and services through the launching of the "Brunei Halal Brand" in August 2007.

48. Fisheries has been identified as one of the sectors that can contribute to the diversification of the Brunei economy away from its reliance on the oil and gas industry, and thus the development of the fisheries sector is actively pursued. Due to the high local demand for fisheries products coupled with a rising global demand the fisheries industry in Brunei Darussalam has been developing steadily and has the promise of being an attractive industry for the export market. The three main sectors of the industry are capture fisheries, aquaculture and processing.

49. The Forestry Department under the Ministry of Industry and Primary Resources, aims to support the national economic diversification policy through the development of the forestry sector and the creation and facilitation of viable business opportunities while preserving biological forest resources for the well-being of the nation in accordance with international and sustainable forest management obligations. Under the National Forestry Policy⁶, not less than 55% of the total land area of Brunei Darussalam will be demarcated and set aside to constitute the National Forest Estate.

50. In February 2007 together with the Governments of Indonesia and Malaysia, Brunei Darussalam signed up to the Heart of Borneo Initiative, which is a voluntary trans-boundary cooperation initiative to ensure the effective management of forest resources and conservation of a network of protected areas, productive forests and other sustainable land uses for the benefit of present and future generations. It is hoped that opportunities based on non-timber forest product industries such as bio product industries (e.g. pharmaceutical, herbal and cosmetic industries) could be opened up. Eco and nature tourism is another potential sector to be further developed based on Brunei Darussalam's wealth of forest bio-diversity.

(5) MANUFACTURING

51. Ready made garments constitute the third biggest export after crude oil and liquefied natural gas. Since the full integration of the textiles and clothing sector into GATT 1994, this industry has seen a brief decline and although the number of companies in operation in this industry has fallen from 25 companies to merely 11, the value of garment exports has risen steadily from US\$239,809,275.00 in 2004 to US\$285,171,047.00 in 2006, despite the sharp fall from its 2003 peak export value of B\$398.38 million. Related industries in the form of value-added services such as embroidery and printing have also been established. Other than ready made export orientated garments, the local industries also manufacture food and beverages as well as construction materials.

⁶ Amendments made in August 2007 to the Forestry Act (Chapter 46, Laws of Brunei), will see the classification of reserved forests under the purview of the Forestry Department into the following categories "protection forest", "production forest", "recreation forest", "conservation forest" and "national parks". Activities which maybe undertaken within the limits of these areas will governed by the category to which a particular area has been assigned.

(6) BRUNEI INTERNATIONAL FINANCIAL CENTRE

52. The Brunei International Financial Centre (BIFC) was established in July 2000, with one of its aim to diversify the country's economy away from oil and gas, into financial services. To-date, BIFC is already fully equipped with a wide range of legislation that meets international market and standard requirements. The legislation caters for both conventional and Islamic financial activities:

Order	Issue	Notification number	Issue date
Money-Laundering Order, 2000	27	S 44	17/06/2000
International Limited Partnerships Order, 2000	28	S 45	20/06/2000
Criminal Conduct (Recovery of Proceeds) Order 2000	32	S 52	27/06/2000
International Banking Order, 2000	33	S 53	29/06/2000
Registered Agents and Trustees Licensing Order, 2000	34	S 54	03/07/2000
International Trusts Order, 2000	34	S 55	17/07/2000
International Business Companies Order, 2000	36	S 56	20/07/2000
Mutual Funds Order, 2001	8	S 18	10/03/2001
Securities Order, 2001	16	S 31	14/05/2001
International Insurance and Takaful Order, 2002	27	S 43	14/08/2002

53. BIFC reviews its legislation from time to time to ensure that it meets current market practices and international standards. Amendments have been made to two of its Orders as follows:

54. With the introduction of the Syariah Financial Supervisory Board Order in January 2006, the Syariah Financial Supervisory Board was established to provide for the control of administration and business dealings of financial institutions concerning Islamic products.

55. New regulations which have been introduced under the primary legislations above are: the Mutual Funds (Fees, Forms and Miscellaneous Provisions) Regulations Order 2001 (S20), the Securities (Fees, Forms and Miscellaneous Provisions) Regulations 2001 (S32) and the International Insurance and Takaful (Fees, Forms and Miscellaneous Provisions) Regulations 2001 (S44).

56. BIFC issues licenses to both conventional and Islamic financial institutions. Both financial institutions are subject to conform to the requirements prescribed in the appropriate orders. Several steps are being taken to strengthen the supervisory role of BIFC such as:

- the formation of a national money-laundering committee comprising relevant enforcement departments within the Brunei Government to help in the prevention of money laundering and financial crimes activities. The Financial Intelligence Unit (FIU) has been established in 2007 to serve as a national collection centre for purposes of suspicious transactions reports;
- joining relevant International Associations of Supervisors such as International Organisation Securities Commission (IOSCO), and International Association of Insurance Supervisors (IAIS) and also the international standard setter for Islamic Financial services, the Islamic Financial Services Board (IFSB);
- hold meetings with overseas regulatory bodies. More are planned with FSA (UK) and MAS (Singapore) and other relevant regulators;
- an emphasis on admitting only licensees who are of high standards; and

- all new IBCs must be the subject of Certificates of Due Diligence completed by the Licensed Agent responsible.

(7) TELECOMMUNICATIONS

57. On 1 January 2003, under the AITI Order 2001, the Authority for Info-Communication Technology Industry (AITI) was established as an independent statutory body, which functions to regulate, and license the provision of telecommunication services manage the national radio frequency spectrum and promote the development of the local ICT industry.

58. On 1 April 2006, the Telecommunications Successor Company Order, 2001 and Telecommunications Order, 2001 were brought into force. This had the effect of corporatising Jabatan Telekom Brunei (JTB) to become Telekom Brunei Berhad (TelBru), transferring the role of Telecommunications Authority to AITI and bringing AiTi's licensing and enforcement powers into effect.

59. Prior to 2005, the only mobile service provider available in Brunei Darussalam was DST Communications Sdn Bhd (DSTCom). DSTCom was established in April 1995 as part of a Government drive to privatize key segments of the telecommunication services sector. In 2005 a second mobile service provider was awarded a license, with the aim of increasing competition in the mobile segment and thus, stimulating the market for mobile services. B-Mobile Communications Sdn. Bhd. (B-Mobile) is a joint venture company between TelBru and QAF Comserve. DSTCom delivers its services on a GSM platform, while B-Mobile delivers its services over a 3G (W-CDMA) platform.

60. The effects of competition in the mobile segment as a result of B-Mobile's entry into the segment may be illustrated as follows:

Mobile Services	2005	2006
Population	370,100	383,000
Subscription		
Total Mobile Subscriber (post-paid & pre-paid)	232,900	278,900
Penetration Rate %	62.93	72.82
Cellular tariff		
Pre-paid connection charge	B\$40.00	B\$30.00
Pre-paid per minute local call (peak)	B\$0.40	B\$0.30
Pre-paid per minute local call (off peak)	B\$0.20	B\$0.20
Pre-paid per minute local call (different operator)	..	B\$0.40
Pre-paid short message service (sms)	B\$0.10	B\$0.05
Pre-paid sms (different operator)	..	B\$0.15

(8) INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)

61. The development of ICT in Brunei Darussalam falls under the purview of the Ministry of Communications. Specific to ICT Sector, the key objective of the Ministry of Communications is to uphold the vision of Brunei Darussalam on Information Society, which is to create a people-centered, intelligent, socially-responsible, inclusive and development-oriented Information Society where everyone can create, access, utilize and share information and knowledge

62. Another important body which is concerned with the ICT development is The Brunei Information Technology Council (BIT COUNCIL) with the role of providing ICT leadership and

direction at the national level. While on the regulatory aspect, the planning, monitoring and implementation of the ICT Industry form the responsibility of The Authority for Info-communications Technology and Industry of Brunei Darussalam (AiTi).

63. About \$950 million has been allocated by the government for the e-Government initiative under the 8th National Development Plan for ministries and government departments. The central agency to lead e-Government is the Prime Ministers' Office. Through the enactment of ICT related laws such the Electronic Transaction Order, Computer Misuse Act, Copyright Order, Broadcasting (Class License) Notification, and Internet Code of Practice Notification, Brunei could provide encouraging environment for public and private sectors towards more involvement and participation in on-line businesses.

64. One of BEDB's current efforts aimed at building an ICT related industry is the establishment of the *iCentre*TM, which began operations in August 2007. The *iCentre*TM is an incubation centre with a capacity to host 16 incubatees at a time. The management company overseeing the development of the centre also provides an incubation programme which includes mentorship, training and legal consultation. With the successful completion of *iCentre*TM, BEDB plans to establish a Business Park using part of the Anggerek Desa area surrounding the centre, include the setting up of a one stop business centre providing legal, administration, banking, customs and other services under one roof while also incorporating business suites facilities for SME entrepreneurs.

(9) AIR TRANSPORT SERVICES

65. Brunei Darussalam maintains a liberal air services policy. In order to attract more foreign airlines to operate into Brunei, a reciprocal open skies air services policy has been adopted. As part of this effort, Brunei Darussalam has bilateral open skies agreements with New Zealand, Singapore, the United States and United Arab Emirates. The agreements allow designated airlines to provide air services between the two countries with the rights to pick up passengers at intermediate stops or at points beyond the two countries with no limitation on frequency, capacity and aircraft type.

66. Brunei Darussalam has also signed an open skies agreement with some APEC countries on 1 May 2001, called the Multilateral Agreement on the Liberalization of International Air Transportation. To date Chile, New Zealand, Singapore, the United States of America, Samoa, Cook Islands, and the Kingdom of Tonga are members to this agreement.

67. The Brunei International Air Cargo Centre (BIACC) was established in 2001 to handle ingoing and outgoing cargo activities in Brunei Darussalam. Brunei Darussalam also endeavours to be a niche player in the regional market for aviation support services, specifically on aircraft maintenance.

(10) PORTS

68. Brunei Darussalam aims to utilize Muara Port's strategic location advantageously, and envisages establishing it as a Direct and Transshipment Shipping Hub as well as a hub for the BIMP-EAGA region. Notwithstanding its geographical advantage, the authorities comprehend the need to build highly productive and inexpensive facilities to ensure fast and efficient transportation. Preparing to establish a consumer orientated services industry, the private sector is also actively involved and is further encouraged to participate in supplying port services such as warehousing and vessels facilities.

69. In 2004, the Government reserved a 955-hectare site in Pulau Muara Besar (PMB) to be developed into a deep sea container port. A feasibility study concluded that it is feasible to develop

the proposed container port in PMB based on its: strategic location along the East-West maritime trade route; the proximity of the island to naturally very deep water, which is required by mega-sized container ships; and the growing trend in transshipment activities.

70. The port will be developed in phases by BEDB who are currently looking for strategic partners, in particular port operator and shipping lines to jointly invest and develop the PMB port. To date, BEDB have five regional port operators, who are interested to jointly invest in, build, and operate the PMB port. BEDB's plan is to invite these port operators to participate in the tender which is currently being drawn up by Drewry Shipping Consultants Ltd.

(11) TOURISM

71. Since Brunei held a "Visit Brunei Year" in 2001, there has been a noted steady increase in arrivals of bona fide tourists, though corroborating this through statistical evidence has been difficult due to a lack of consistency in data series throughout the years. However, an increase in hotel occupancy, tourism business activities and more consistent data from 2006 onwards, point towards an upward trend resulting from an increase in promotional activities by the tourism authorities, airlines and tourism service providers.

72. The tourism industry in Brunei is still in its development stage, with around 200,000 foreign tourists in 2006. The tourism industry is seen by the Government as one of the avenues to achieve economic diversification apart from oil and gas, and as a provider of employment, especially for the younger generation, but in order to increase visitor numbers, additional facilities, including accommodation, transport and communication and banking services need to be further developed.

73. Tourism promotion is carried out by the Tourism Development Department in the Ministry of Industry and Primary Resources, acting under the advice of the Brunei Tourism Board, which is composed of members from both the public and private sector. The Ministry and the Board intend to develop Brunei as the region's most exclusive tourism destination, while placing utmost importance in the preservation of the traditional and cultural values of Brunei and the sustainability of its environment. This will be achieved by focusing on tourism activities such as eco-tourism, cultural and heritage tourism, wholesome family activities, wellness, cruises and special interest tours, targeting at mature, well-travelled, tranquillity-seeking visitors from the region and beyond.

74. In an effort to further develop its tourism industry, Brunei Darussalam joined the U.N. World Tourism Organisation in November 2007.

VII. STRATEGY FOR FUTURE GROWTH

75. Brunei Darussalam continues in its drive towards economic diversification to ensure sustainable development, both financially as well as socially. Brunei thus aims to establish a stable political, macroeconomic and legal environment by maintaining improvements in the availability, quality and efficiency of infrastructure such as roads, education, health and communications.

76. The Government continues to place a great emphasis on the need for greater participation by the Economic sector to contribute towards the diversification of the economy. The Government has identified strategic industry clusters in the non-oil and gas sectors with growth potential for Brunei Darussalam, such as financial services which will focus on high end, niche investment management services, and asset and fund management, focusing on Islamic principles; hospitality and tourism, focusing on eco-tourism and hospitality services; agro-food and the halal industries, concentrating on core and value-added products of meat and fisheries, with potential activities on cosmetics and

pharmaceutical products; business services, concentrating on service-outsourcing and, system and software development.

77. The Government is also still interested in attracting investment to develop the oil and gas sectors, albeit in the downstream industries, and in the manufacturing industry in sites such as the Sungai Liang and Pulau Muara Besar. Both of these undertakings are considered to require foreign investors and expertise, and thus attract FDIs into the country.

VIII. CONCLUDING REMARKS

78. Brunei Darussalam, as a small developing economy, faces many challenges in its economic diversification programme in line with the rules-based, multilateral trading system

79. During the period of the review, Brunei Darussalam remains a politically and economically stable country, suitable for foreign investment. The UN Human Development Index (HDI) 2006 ranks Brunei as 30th out of 175 United Nations member countries, the second in the ASEAN region, indicating its high level of human development. Brunei Darussalam has also participated for the first time in the World Bank's Doing Business Project and was ranked 78 in the Doing Business Index out of 178 countries surveyed in 2007. Brunei Darussalam's involvement in the study was meant to enhance greater confidence amongst local and foreign investors in the business environment through objective and internationally comparable benchmarking as well as for assessing business regulations in order to identify areas for improvement.

80. Brunei Darussalam continues to advocate free and open trade and acknowledges the vital importance of attracting Foreign Direct Investment, in order to diversify the economy. Brunei Darussalam further recognizes the importance of adapting to an increasingly global community, and as such welcomes any economic or technical cooperation. Herewith, the Government continues to introduce and modify policies in an effort to become an even more open and competitive economy.
